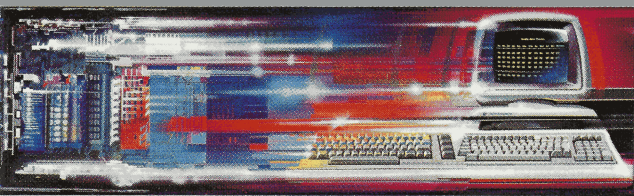


 **commodore**
international limited



1984 First Quarter Report
September 30, 1983

To Our Shareholders

During the quarter ended September 30, 1983, the first quarter of fiscal year 1984, Commodore continued its strong sales and profit performance.

Record Financial Results

Sales of \$209.3 million compared with sales of \$103.3 million during the same quarter of fiscal 1983, an increase of 103%. Income from operations of \$36.3 million was 116% higher than the \$16.8 million reported in the first quarter of fiscal 1983. Net income (before extraordinary item) was \$24.3 million compared with \$13.3 million a year ago, an increase of 83%. Earnings per share (before extraordinary item) of \$.79 versus \$.44 in the like quarter of fiscal 1983 were up by 80%.

Income from operations as a percent of sales amounted to 17.3% during this quarter. This record number is a full 1% higher than the rate achieved in the like quarter of fiscal 1983 and well above our average for the last five years. The provision for taxes of 33% applied to the quarterly pre-tax earnings represents the anticipated rate for the entire 1984 fiscal year, this as a result of increasing profitability in countries with high tax rates, primarily the United States.

Major contributors to the growth of our business during this past quarter were the United States, where sales were up 90%; the United Kingdom with a sales increase of 144%, and Germany, with an increase of 206%.

Future Planning

In addition to our focus on achieving all-time high first quarter sales and profits, the quarter was also dedicated extensively to building inventory for the Christmas quarter. As the September 30, 1983 balance sheet indicates, finished goods inventory remained virtually unchanged from the June 30, 1983 level, while our raw material and work-in-process inventory, in anticipation of very strong sales growth projected for the December 31, 1983 quarter, increased substantially during the first quarter. Despite this increase, we do not expect to be able to fully meet demand for our prod-

uct during this Christmas quarter, since sales are expected to be well above the first quarter. Inventories at the end of December should be considerably below the September 30, 1983 levels. We are also pleased to note that, during the first quarter, current assets increased by \$72 million as against an increase in current liabilities of \$51 million.

Expansion

During the quarter, Commodore expanded its worldwide activities. Marketing companies in Norway and Denmark, formerly joint ventures, became wholly-owned subsidiaries. A new manufacturing facility in Taiwan is in the final stages of implementation. Corby, England, has begun operations as a European assembly and distribution center for Commodore microcomputer systems. A new 200,000 square foot facility, to be built there, is being financed through a United Kingdom government grant as well as a loan from the European Coal and Steel Community at an interest rate of 6¼% annually. A new 125,000 square foot manufacturing/warehouse facility was announced for our Canadian operations.

We look forward to the Consumer Electronics Show to be held in Las Vegas in early January during which we will introduce several new products.

Fiscal 1984 has started very successfully. We are on track with our plans for the balance of the year, and anticipate a record second quarter at sales levels substantially above last year's comparable quarter and well above the September quarter just ended.

Sincerely,

The image shows two handwritten signatures in black ink. On the left is the signature of Irving Gould, which is written in a cursive, flowing style. On the right is the signature of Jack Tramiel, also in cursive, with a more angular and sharp appearance.

Irving Gould
Chairman of
the Board

Jack Tramiel
President and
Chief Executive Officer

November 9, 1983

Consolidated Balance Sheets

Commodore International Limited and Subsidiaries

(In Thousands of Dollars)

	September 30	June 30
	1983	1983
Assets		
Current Assets:		
Cash and deposits	\$ 10,800	\$ 23,400
Accounts receivable, net	189,900	180,000
Inventories:		
Raw materials and work-in process	270,300	199,400
Finished goods	128,400	127,400
Prepaid expenses	5,100	2,500
Total current assets	604,500	532,700
Property and Equipment, net	81,400	77,900
Other Assets	5,300	4,000
	\$691,200	\$614,600
Liabilities and Shareholders' Equity		
Current Liabilities:		
Loans payable	\$ 75,700	\$ 15,900
Current portion of long-term debt	6,100	5,400
Accounts payable	234,800	246,300
Accrued liabilities	29,000	36,400
Income taxes payable	32,800	23,900
Total current liabilities	378,400	327,900
Long-Term Debt	95,400	92,000
Deferred Income Taxes	3,600	4,000
Shareholders' Equity		
Common stock	300	300
Contributed surplus	13,800	13,700
Retained earnings	211,200	186,900
Cumulative translation adjustment	(11,300)	(10,000)
Treasury stock	(200)	(200)
Total shareholders' equity	213,800	190,700
	\$691,200	\$614,600

Condensed Statements of Income

(In Thousands of Dollars, Except per Share Amounts)

	For The Three Months Ended September 30	
	1983	1982
Net Sales	\$ 209,300	\$ 103,300
Income from operations	36,300	16,800
Provision for income taxes (A)	12,000	3,500
Net income before extraordinary item	24,300	13,300
Extraordinary item (B)	—	1,600
Net Income	\$ 24,300	\$ 14,900
Earnings Per Share: (C)		
Before extraordinary item	\$.79	\$.44
Extraordinary item (B)	—	.05
Net Income	\$.79	\$.49
Average common shares and common share equivalents	30,896,000	30,720,000

(A) The provision for income taxes for the current quarter has been increased to 33%, as a result of increasing profitability in countries with high tax rates, primarily the U.S.

(B) Tax benefit of net operating loss carryforward.

(C) 1982 per share amounts have been restated to reflect May 1983 stock split.

The foregoing statements are not audited but reflect all adjustments which are, in the opinion of management, necessary for a fair presentation of financial position and results of operations for the periods shown.

Consolidated Statements of Changes in Financial Position

Commodore International Limited and Subsidiaries

(In Thousands of Dollars)

	For the Three Months Ended September 30	
	1983	1982
Working Capital Was Provided by:		
Income before extraordinary item	\$ 24,300	\$ 13,300
Items not requiring working capital—		
Depreciation and amortization	4,400	1,300
Deferred income taxes and other	(400)	—
Total working capital provided by operations	28,300	14,600
Extraordinary item	—	1,600
Increase in long-term debt	3,400	2,400
Proceeds from exercise of stock options	100	200
Total working capital provided	31,800	18,800
Working Capital Was Applied To:		
Purchase of property and equipment	7,900	5,800
Repayment of long-term debt	—	6,400
Cumulative translation adjustment	1,300	5,100
Increase in other assets	1,300	500
Total working capital applied	10,500	17,800
Increase in Working Capital	\$ 21,300	\$ 1,000
Analysis of Increase in Working Capital:		
Increase (decrease) in current assets—		
Cash and deposits	\$ (12,600)	\$ 1,400
Accounts receivable	9,900	31,500
Inventories	71,900	13,700
Prepaid expenses	2,600	700
	71,800	47,300
Increase (decrease) in current liabilities—		
Loans payable	59,800	27,900
Current portion of long-term debt	700	100
Accounts payable and accrued liabilities	(18,900)	17,000
Income taxes payable	8,900	1,300
	50,500	46,300
Net Increase in Working Capital	21,300	1,000
Working Capital, Beginning of Year	204,800	99,100
Working Capital, End of Year	\$226,100	\$100,100

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